

Governor's Office,

Austin, Texas, March 1, 1923.

To the members of the Texas Senate
of the Thirty-eighth Legislature:

Gentlemen: I am returning herewith to you, with my disapproval and veto, Senate Bill No. 105. This act seeks to amend Section 2 of Chapter 15 of the General Laws of the State of Texas, Acts of the Thirty-first Legislature, providing for the creation of a State Banking Board.

The present law in regard to this Banking Board provides that the Commissioner of Insurance and Banking, the State Treasurer, and the Attorney General shall compose the State Banking Board. This Act provides, that in addition to these three members, there shall be added two other members who shall be, in the language of the law, "practical bankers." The placing of two practical bankers on this Board, that is, bankers who operate and are interested in Texas banks, is absolutely contrary to the original intent of the law creating the State banks and naming a Banking Commissioner, because the original law provides that the Commissioner of Banking shall not be interested in or have any connection with, directly or indirectly, any State bank. He is required, under the provisions of the law, to dispose of his bank stock and sever every interest of every kind that he has in any State bank, before he is deemed qualified to serve the State as Bank Commissioner. To aid the Bank Commissioner, the law designated the Attorney General of the State and the State Treasurer to be his co-workers and counsellors, and the law does not permit the officers, directly, or indirectly, to have any interest in any bank or banking institution. These three officers, who have for some years constituted the State Banking Board, are officers of the State, bound by both an oath and a bond to perform faithfully and efficiently their duties as members of this Banking Board. The two practical bankers now sought to be added to this Board neither give a bond nor take an oath of office. Absolutely contrary to the original thought when this Board was first created, this bill adds two new members to the Board, with full power to act on all matters, who are

officially engaged in the banking business and interested in banking institutions and are, therefore, directly interested in the acts and conduct of the Commission in the discharge of its official duties. It is doubtful whether a board can be successfully administered where the individuals composing its membership have such opposing interests; that is to say, where a part of the members of the board are prohibited from being directly or indirectly interested in a bank, the other members being required to have direct interests in banking institutions, in the language of the Act, being "practical bankers." It seems to me an unwise policy to have a governmental agency that handles and controls millions of dollars administered by unsworn and unbonded persons who are in no wise officers of the State.

This bill places, in connection with the handling of millions of dollars, entirely too much power in the hands of the Governor. Under this new bill the Governor, who would by its provisions, appoint the Bank Commissioner and the two practical bankers, unsworn and unbonded officers, might have, under certain contingencies, too much influence and too much authority in the handling and directing of the use of the banking funds of the State. The Governor, under the provisions of this bill, if he sought to do so, could both make and unmake banks, and to place this much power and authority in the hands of any one man, where millions of dollars are invested, is contrary to healthful public policy.

In addition to the above reasons, it would not be practicable to add two practical bankers to the Board for the reason that, especially in times of financial stress, the Banking Board often meets daily and sometimes several times a day, and meets regularly at least an average of six to eight times per month, and, unless the two bankers so named were both residents of Austin, which would not be wise, it would not be possible for them to attend these meetings of the Banking Board. If, on the other hand, it is contended that the bankers should only meet at stated times with the Board and go over and check all the work already done by the other members of the Board who reside in Austin, this would, in the very nature of

things, breed dissention and dissatisfaction rather than co-operation and efficiency.

The Banking Board, as it is now constituted, has weathered the storm during the great financial stress of the past few years. No mismanagement or inefficiency of any kind, so far as I have been advised, has been charged against this Board. They are free and have authority to call to their counsel at all times the leading bankers of the State in order to get their views in connection with the solving of the many complex and complicated problems connected with our State banking laws.

Feeling that this bill is wrong in principle and unworkable as a practical proposition, it is hereby returned to you with my veto and disapproval.

Respectfully,

PAT M. NEFF, Governor.